ICANN 58

COMMUNITY FORUM

COPENHAGEN

11–16 March 2017

GNSO Update

Becky Nash, Taryn Presley

Introduction

Table of Contents

Table of Contents

Meet the Planning Team

Xavier Calvez
Project Sponsor

Becky Nash
Project Owner

Taryn Presley
Project Manager
and Budget

Leo Vegoda
Operating Plan

Kirsten Wattson
IANA Budget

Jessica Castillo
Project Coordinator

2. Planning Process Overview and Timeline

2.1. FY18 Planning Process Overview and Timeline

FY18

ICANN Mtg.   ICANN Mtg.   ICANN Mtg.

FY18 process published — Community Budget Working Group : assumptions review — FY18 Draft published for public comment — **Comment period: 52 days** — Report of Public Comments — Board approval

FY17 for comparison

22 Sep — **5 Mar** — **Comment period: 56 days** — **25-27 Jun**
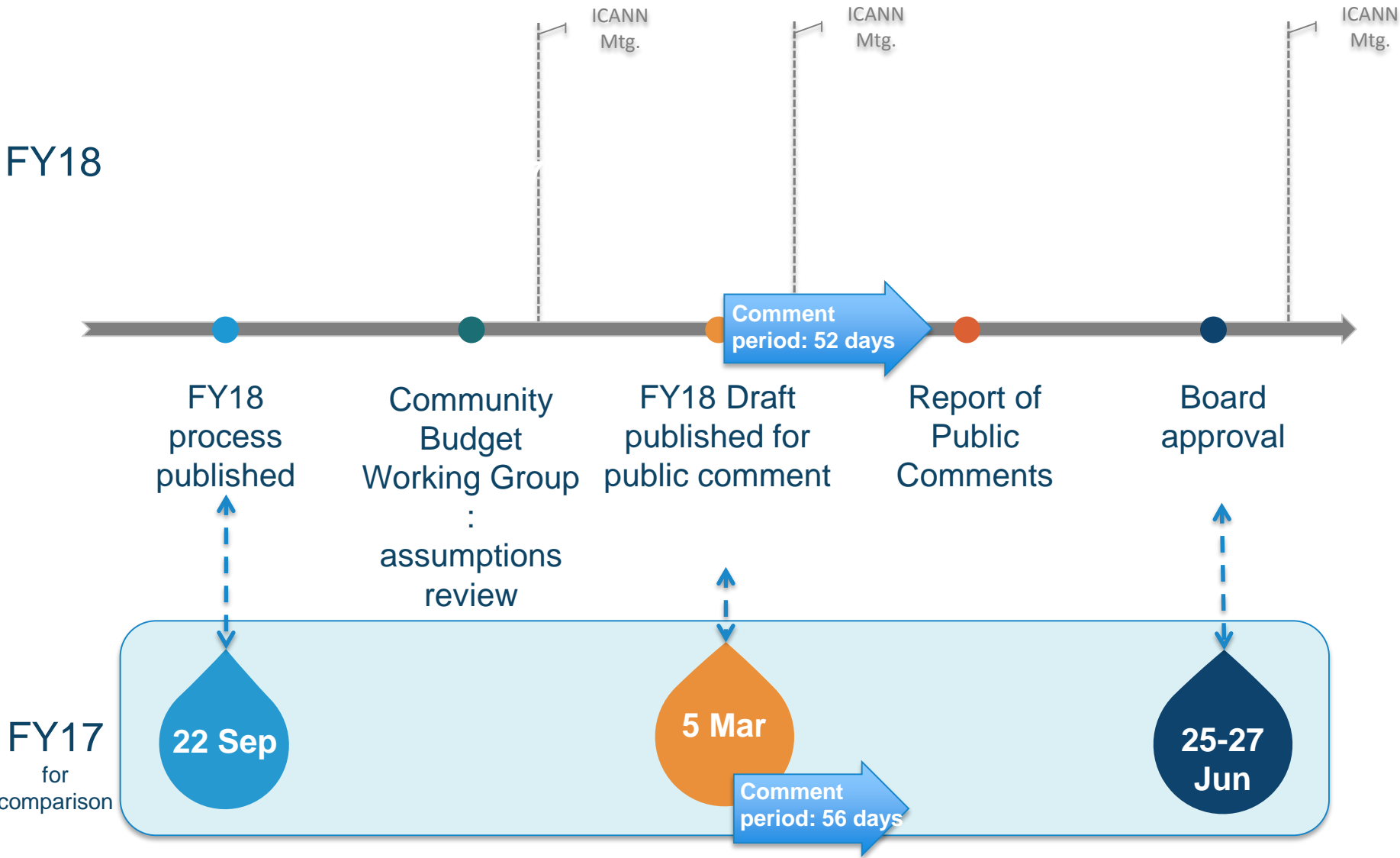
3. 5-Year Operating Plan Update

3.1. 5YOPU FY17 → FY18 Types of Changes

1 **Strategic Plan**
Objectives and Goals are defined in the Strategic Plan and remain unchanged

2 **Portfolios**
Portfolios updated to reflect work that will be completed in FY17, work to be started in FY18, and refinements to work that will continue. This includes moving portfolios between goals following organizational changes.

3 **KPIs**
KPIs updated to reflect refinements in measurements based on a better understanding of success

4 **Dependencies**
Dependencies updated to reflect completed work, events that have happened, and arising situations

5 **Phasing**
Phasing updated based on planned progress for FY17 and to give additional detail in FY18 and beyond

Three high profile updates:
- PTI op plan incorporated into total ICANN op plan
- No IANA Stewardship Transition
- Reviews incorporated into Bylaws. Now called Specific Reviews.

4. Draft FY18 Operating Plan and Budget

4.1. ICANN Org. Financial Reporting Structure

ICANN Operations

New gTLD Program

Total ICANN

Funding *

PTI/ IANA **

Funding

Baseline & Multi-Year Project Expenses*

PTI/ IANA **

Initiatives

Expenses

Operating Fund

Reserve Fund

New gTLD Funds

Auction Proceeds
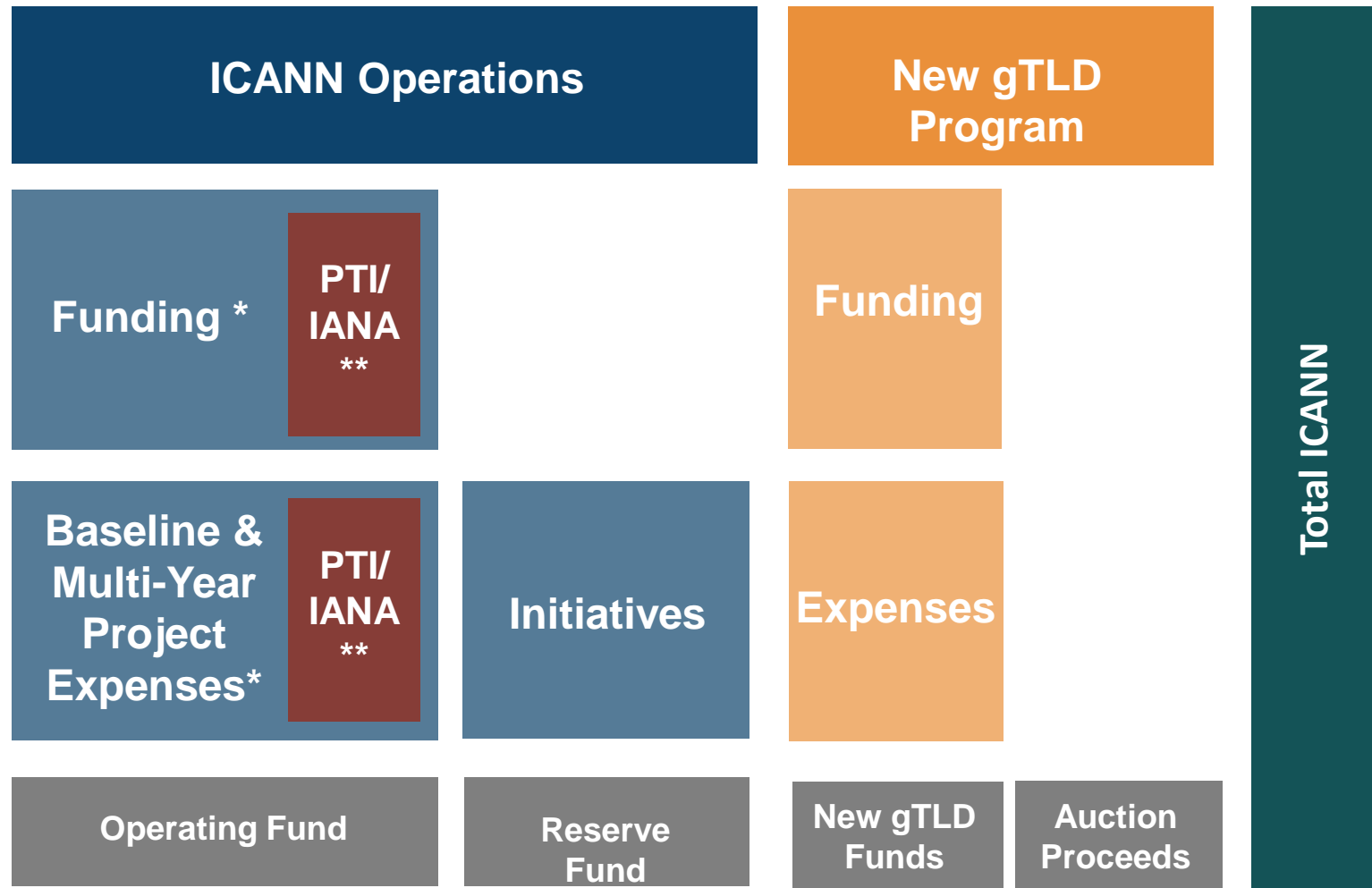
* Excludes depreciation and bad debt expenses

** IANA Services includes ICANN's and PTI's IANA Expenses

4.2. Draft FY18 ICANN Ops Op Plan & Budget Highlights

1

FY18 Operating Plan
- Year 3 of the 5-year Operating Plan.
- No major changes to baseline operations.
- IANA functions segregated in PTI.

2

FY18 Budget balanced
- Funding of $142.8m
- Baseline expenses of $142.8m
- No initiatives funded from Reserve Fund

3

Funding increases at a slower rate
- Funding forecast reaches $142.8m, 5% above the FY17 forecast ($135.9m).
- Slow down consistent with number of new TLDs in operations reaching its peak.

4

ICANN Operations baseline expenses
- Baseline cash expenses of $142.8M increase organically by about 5% (excl. contingency) over the FY17 forecast ($130.4M), mainly driven by Personnel expenses.

4.3. ICANN Ops Draft FY18 Budget

	Draft FY18 Budget	FY17 Forecast	Increase/ (Decrease)
Funding	$ 142.8	$ 135.9	$ 6.9
Baseline Cash Expenses	-$ 142.8	-$ 130.4	$ 12.5
Excess/ (Deficit)	$ 0	$ 5.5	($ 5.5)

Total: $142.8 ("Best estimate" scenario)

	Driven By: Domain Name Registrations	Driven By: # of Contracted Parties
REGISTRIES	Transaction fees $57.3 40%	Per-TLD fixed fees $30.8 22%
REGISTRARS	Transaction fees $36.9 26%	Application fees Accreditation fees $14.1 10%

Estimate Scenarios:

Low: $142.3
Best: $142.8
High: $146.6

Other Funding: $3.7 (2%)
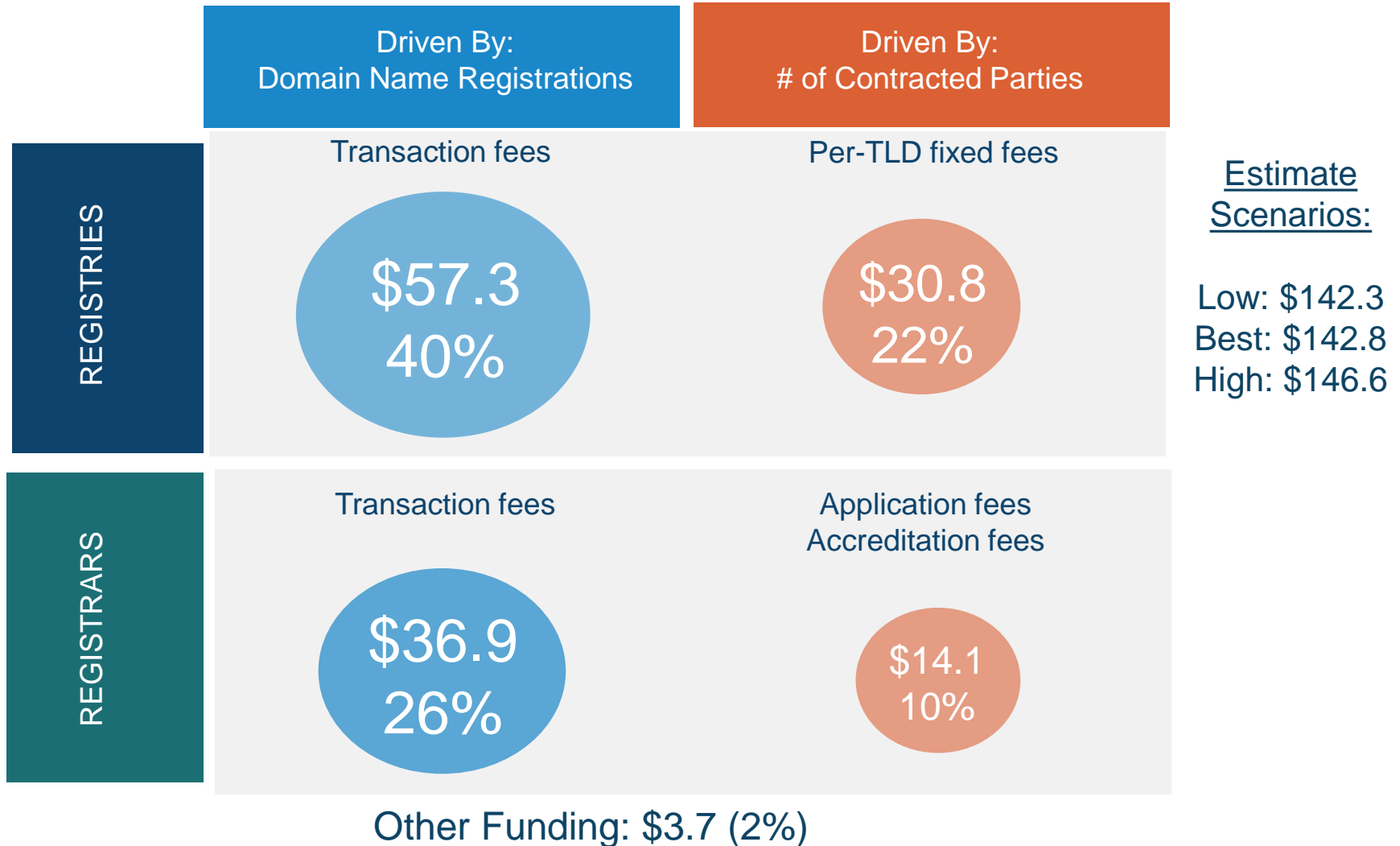
4.4.2. Draft ICANN Ops FY18 Funding - Highlights and R&Os

Highlights

- Conservative assumptions
- Continued engagement with community >> general acceptance of reasonableness

Risks

- Lower legacy transactions growth (Low probability: $0.5m)

Opportunities

- Higher new gTLD transactions growth (Med. Probability: $3.8m)

Annual Expenses = Baseline cash ICANN Ops expenses + IANA

1 **Baseline cash expenses = Annual Funding**

2 **Baseline expenses growth slowing down**

+3%	+18%	+5%
Jun-16	Jun-17	Jun-18
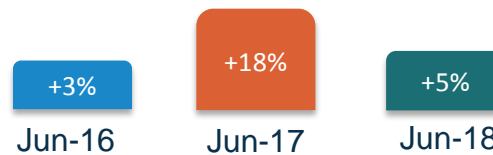
3 **Slowdown of headcount growth in FY18**

Jun-15		Jun-16		Jun-17		Jun-18
316	+33 (11%)	349	+44 (13%)	393	+24 (6%)	417
	FY16		FY17		FY18	
	Avg: 331		Avg: 358		Avg: 414	
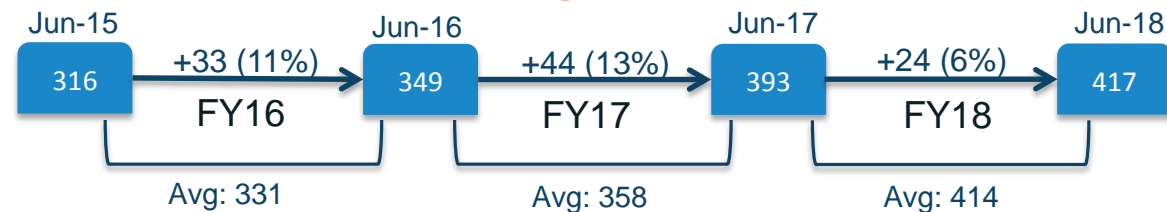
4 **IANA Stewardship Transition concluding in FY17, including WS2.**

In Millions, USD

	145							
					+0.8	-2.9		137.0
Draft FY18 Budget*			+4.3				-1.2 +0.6	
FY17 Baseline	130.4	+5.1						
	130							

	Full year impact of FY17 hires & comp. increases & transfers from New g, net of attrition	FY18 Planned Hirings	Increased engagement with the ICANN technical community	Change in projects expenses	Playa Vista 4th Floor office buildout	Other	

*Excludes ICANN Ops Contingency of $5.9M.
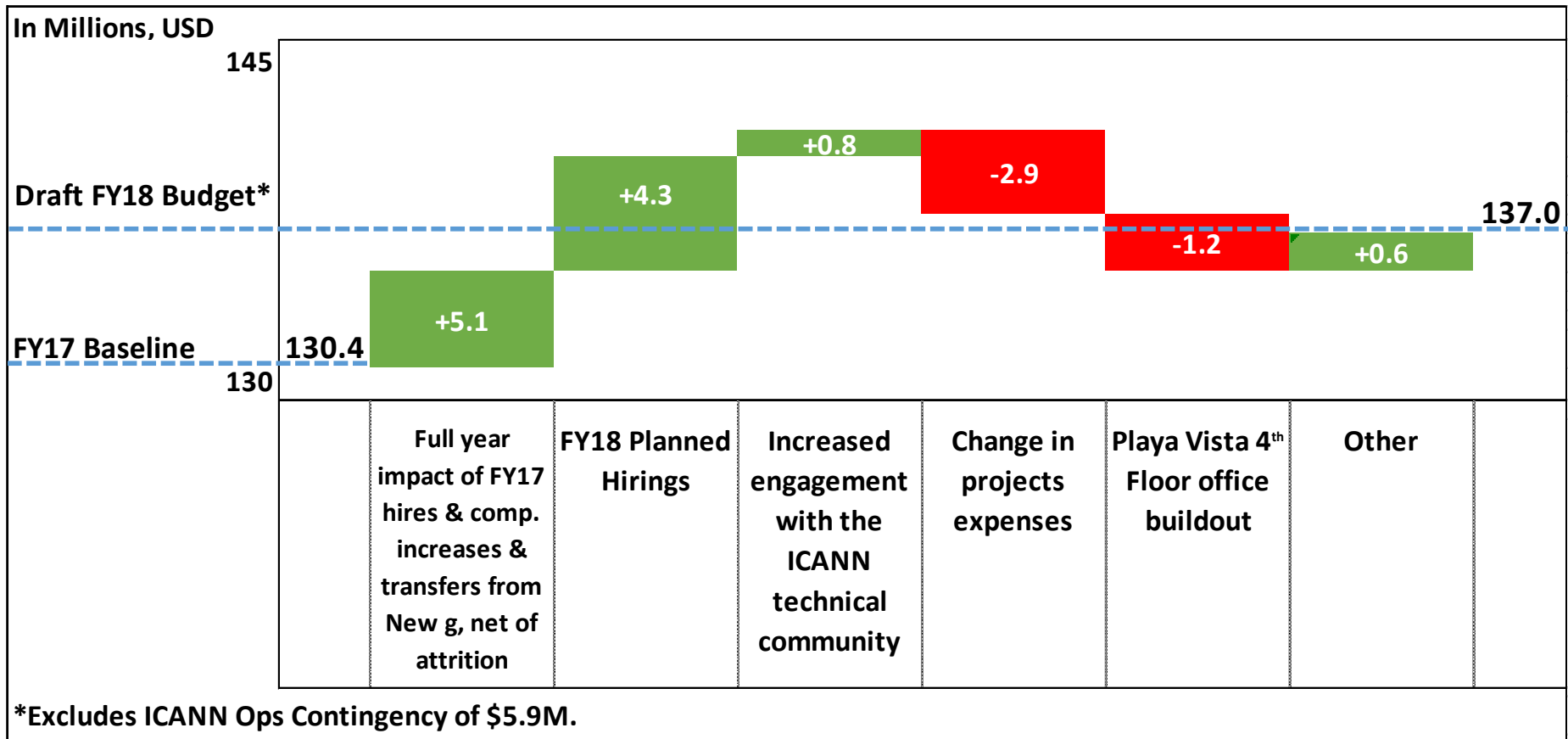
4.5.2. ICANN Ops Draft FY18 Headcount

in Millions, USD Executive Group	FY18 Draft Budget [1]		FY17 Forecast [2]		Increase/(Decrease)			
	EOP Hdct	Avg Hdct	EOP Hdct	Avg Hdct	EOY Hdct	%	Avg Hdct	%
DNS, GDD, IANA	99.0	98.5	88	72.5	11	13%	26.0	36%
Operations	17.0	17.0	17	9.9	-	0%	7.1	72%
Strategic Communications	26.0	26.0	26	25.2	-	0%	0.8	3%
Finance & Procurement and ERM	20.0	20.0	20	15.8	-	0%	4.2	26%
Technical Functions	19.0	18.0	17	14.6	2	12%	3.4	24%
GSE, Meetings Ops, DPRD	48.0	48.0	46	43.9	2	4%	4.1	9%
Contr. Compliance & Consumer Safeguards	29.0	29.0	26	26.2	3	12%	2.8	10%
Governance Support	20.0	19.0	17	16.2	3	18%	2.8	17%
Governmental & IGOs Engagement	8.0	8.0	7	7.0	1	14%	1.0	14%
Executive	3.0	3.0	3	3.0	-	0%	-	0%
Policy Dev Support and SO/AC Engagement	35.0	34.9	34	30.4	1	3%	4.5	15%
IT	66.0	66.0	61	59.9	5	8%	6.1	10%
Global Human Resources & Admin	22.0	21.7	21	19.6	1	5%	2.1	11%
MSSI	17.0	17.0	17	12.9	-	0%	4.1	31%
Ombudsman	1.0	1.0	1	1.0	-	0%	-	0%
New gTLD Allocations & Corporate (includes attrition)	(13.3)	(13.3)	-	-	(13)	0%	(13.3)	0%
	417	413.8	401	358.2	16	4%	55.6	16%

4.5.3. Draft FY18 Baseline Cash Expenses R&Os

Risks
- Possibility/ probability of carrying out "Unfunded Potential FY18 Activities."
- Increasing urgency of large projects to be carried out.
- Potential impact of the bylaw-driven cycle of reviews both on Community and ICANN organization workload and bandwidth.
- WS2 Transition work expenses delayed to FY18.

Opportunities
- Ability to prioritize the activities of the ICANN Community.
- Ability to reduce headcount growth as result of possible optimization of resources

4.5.4. PTI and IANA Budget

FY18 IANA Budget in Millions, USD		IANA Services FY18 Budget
PTI Operations		$9.6
IANA Budget		
RZMA (Operating Expense)	(a)	$0.3
Capital	(b)	$0.1
Subtotal		$0.4
TOTAL IANA BUDGET		**$10.0**

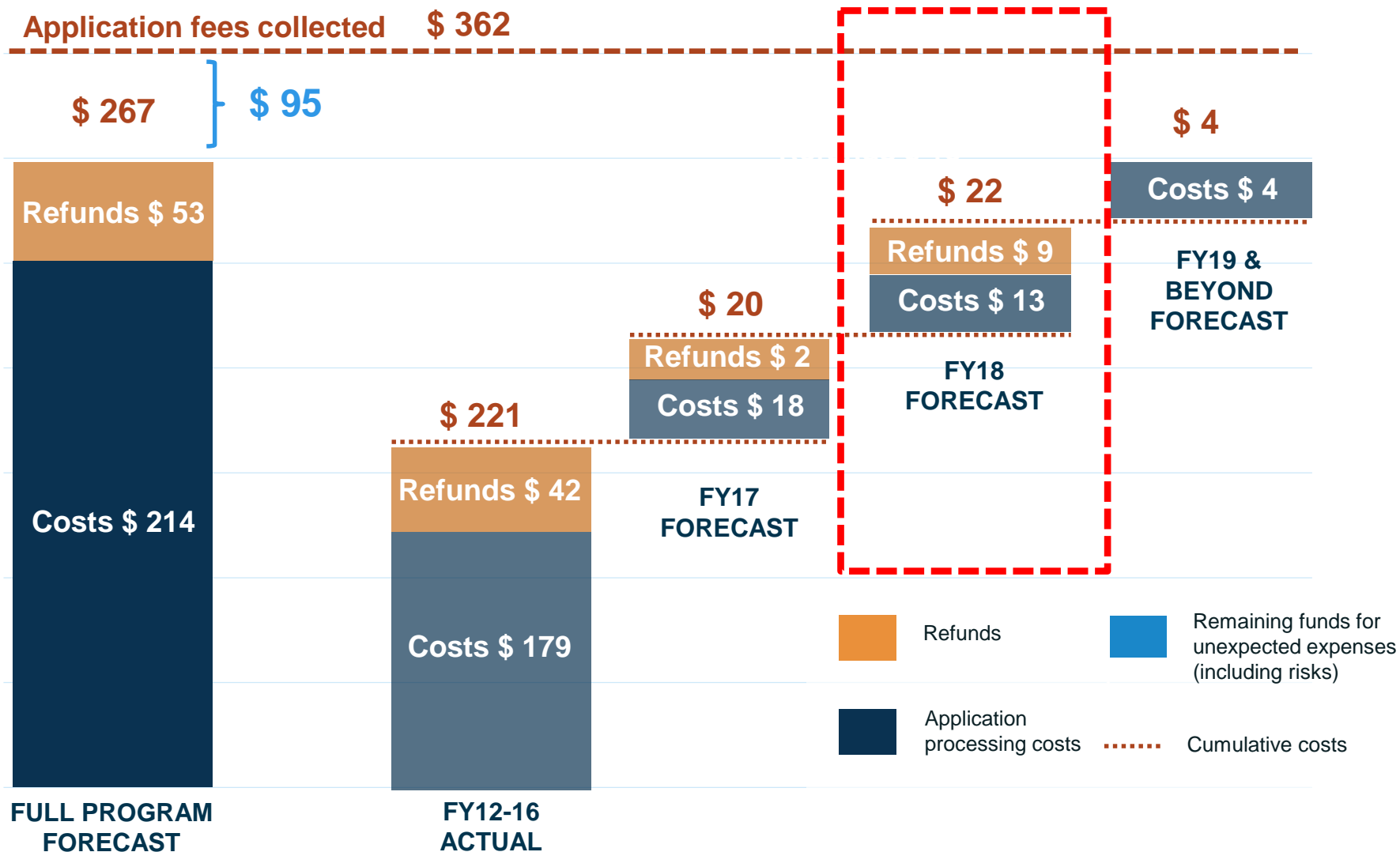(a) RZMA = Root Zone Maintainer Agreement for $300K per Year. This is funded by ICANN Operations

(b) Capital for IANA for IT systems maintenance

- PTI FY18 OP&B adopted by the PTI Board on 27 January 2017.

- ICANN received as input into the FY18 IANA Budget which is subject to the empowered community veto process

- The IANA Budget is included in the Caretaker Budget should a veto process be triggered

4.6. New gTLD Program – Multi-year Forecast

Application fees collected $ 362

$ 267 $ 95

$ 4

$ 22

Costs $ 4

Refunds $ 53

Refunds $ 9

FY19 & BEYOND FORECAST

Costs $ 13

$ 20

Refunds $ 2

Costs $ 18

FY18 FORECAST

$ 221

Costs $ 214

Refunds $ 42

FY17 FORECAST

Costs $ 179

Refunds

Remaining funds for unexpected expenses (including risks)

Application processing costs

Cumulative costs

FULL PROGRAM FORECAST

FY12-16 ACTUAL

4.7.1. Total ICANN Financial Overview

in Millions, USD	FY18 Draft Budget			FY17 Forecast [1]			Increase/(Decrease) vs. FY17 Forecast					
	Total ICANN Ops	New gTLD*	ICANN Org.	Total ICANN Ops	New gTLD*	ICANN Org.	Total ICANN Ops	%	New gTLD	%	ICANN Org.	%
Funding	**$142.8**	**$19.5**	**$162.3**	**$135.9**	**$154.1**	**$290.0**	**$6.9**	**5.1%**	**($134.7)**	**-87.4%**	**($127.7)**	**-44.0%**
Personnel	69.5	$2.5	72.0	$60.4	$4.6	$65.0	9.1	15%	($2.1)	-45%	7.1	11%
Travel & Meetings	17.6	0.7	18.3	18.0	$1.0	19.0	(0.4)	-2%	(0.3)	-32%	(0.7)	-4%
Professional Svcs.	27.6	7.0	34.6	27.2	11.4	38.6	0.4	1%	(4.4)	-39%	(4.0)	-10%
Adminstration [2]	18.7	0.7	19.3	17.0	1.1	18.1	1.7	10%	(0.4)	-37%	1.3	7%
Capital	3.6	0.0	3.6	7.7	0.0	7.7	(4.1)	-53%	0.0	n/a	(4.1)	-53%
Contingency [3]	5.8	0.0	5.8	0.0	0.0	0.0	5.8	n/a	0.0	n/a	5.8	n/a
Baseline Cash Expenses	**$142.8**	**$10.9**	**$153.7**	**$130.4**	**$18.0**	**$148.3**	**$12.5**	**10%**	**($7.1)**	**-40%**	**$5.3**	**4%**
Increase/ (Decrease) to Net Assets	**$0.0**	**$8.6**	**$8.6**	**$5.5**	**$136.2**	**$141.7**	**($5.5)**	**-100%**	**($127.5)**	**-94%**	**($133.1)**	**-94%**
Average Headcount	**413.8**	**0.0**	**413.8**	**358.2**	**9.0**	**367.2**	**55.6**	**16%**	**(9.0)**	**-100%**	**46.6**	**13%**

(1) FY17 Forecast excludes IANA Stewardship Transition travel and meetings, professional services, admin, and capital costs.

(2) ICANN Ops excludes Depreciation and Bad Debt of ~$8M.

(3) FY17 activities covered by the contingency have been reported in the expense categories above based on the nature of the expense.

4.7.2. Total ICANN Cash Flows - FY18

Cash Flow Statement	For the Year Ended 6/30/2018				
In Millions, US dollars	Operating Fund	Reserve Fund	NgTLD	Auction Proceeds	Total
Funds Under Management - June 30, 2017	$ 44.9	$ 58.6	$ 123.7	$ 233.0	$ 460.1
Collected/ (refunded) from contracted parties	141.3		(9.0)		132.3
Auction Proceeds	-		-		-
Paid to vendors, net of reimbursement	(62.8)		(8.3)		(71.2)
Paid to employees, net of reimbursement	(70.9)		(2.5)		(73.4)
Reimbursement from Reserve Fund - IANA Transition Project Costs [1]	$ 4.5	$ (4.5)			-
Historical Development Costs	2.0		(2.0)		-
Capital expenditures	(3.6)		-		(3.6)
Change in investment market value		1.2	0.3	0.5	1.9
Funds Under Management - June 30, 2018	$ 55.4	$ 55.3	$ 102.0	$ 233.5	$ 446.1

(1) The IANA Transition Project Costs are reimbursed from the Reserve Fund every six months for the previous six months of expenses. The FY18 impact represents the project expense for H2 FY17 (January through July).

5. New to the Planning Process

5. New to the Process

- ⊙ Caretaker budget
    - Community power to reject the strategic / operating plans and budget.
    - If the Board-approved OP&B is vetoed, **caretaker budget** replaces OP&B during veto resolution period.

- ⊙ Unfunded Potential FY18 Activities
    - Include activities/expenses considered during budget development, but not included in the Draft FY18 OP&B.
    - Activities to be considered during FY18, based on priority and availability on funding.

6. Next Steps in FY18 Budget Process

6. Next Steps

Date	Who	Step
19 Mar	Community	Submit clarifying questions (as needed) on the draft 5-Yr Op Plan Update and FY18 Op Plan
31 Mar	Staff	Post responses to clarifying questions
31 Mar	Community	Set up a meeting with the planning team to review your submitted comments (as needed) by
05 Apr (est.)	BFC	BFC recommends Board approves SO/AC Additional Budget requests
28 Apr	Community	Public comment Period ends
05 May	Board	Board approves SO/AC Additional Budget requests (Board resolution)
25 May	Staff	Staff Report published
05 Jun (est.)	BFC	BFC reviews the final ICANN Budget and recommends Board approval
10 Jun (est.)	Staff	New Step: Publication to the community of the final FY18 OP & B intended for Board approval highlighting any changes from the Draft.
24 Jun (est.) ICANN 59	Board	Board approves final ICANN Budget

7. How to Get Involved

ICANN

Email: controller@icann.org

Upcoming Sessions at ICANN 58

Budget Working Group
14 March 2017
5pm-8pm
MR 5 (Limited Space)

Financial Accountability: Operating Plan and Budget
16 March 2017
9am-1030am
Hall A3

Public Comment
icann.org/public-comments

Community Finance Email List
How to subscribe?

8. Empowered Community – Budget Rejection Power

ICANN

Overview of EC and EC Administration

Empowered Community ("EC")

ALAC	ASO	ccNSO	GAC	GNSO
Decisional Participant	Decisional Participant	Decisional Participant	Decisional Participant	Decisional Participant

Empowered Community Administration

ALAC's EC Admin Rep   ASO's EC Admin Rep   ccNSO's EC Admin Rep   GAC's EC Admin Rep   GNSO's EC Admin Rep

In representing a Decisional Participant on the EC Administration, the individual representative acts solely as directed by the represented Decisional Participant and in accordance with processes developed by such Decisional Participant.
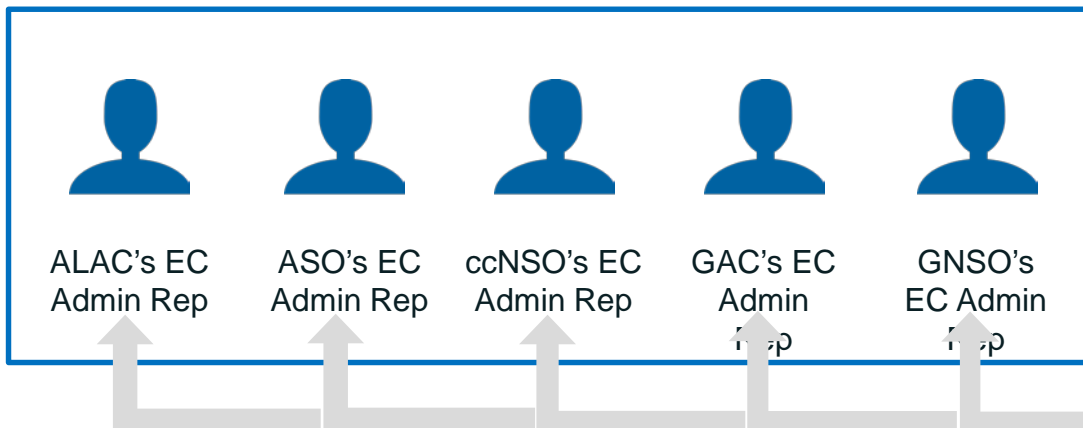
In representing the EC Administration, the representatives act as required for the EC to follow the applicable procedures to exercise its rights.

ICANN and IANA Budget Rejection Action Procedures

Rejection Action Board Notice

ICANN Board approves the ICANN and IANA budgets.

→

ICANN Secretary sends Rejection Action Board Notice to EC Admin and Decisional Participants.

→

Petition Period – 21 days

In accordance with procedures of Decisional Participant, an individual may submit a petition.

Decisional Participant decides whether to accept petition. If accept, notify EC Admin and ICANN Secretary.

→

Support Period (7 days)

Petitioning Decisional Participant contacts EC Admin and other Decisional Participants to determine whether any other Decisional Participants support petition. If at least one other Decisional Participant supports, notify EC Admin and ICANN Secretary.

Community Forum Period – 21 days

EC Admin directs ICANN org to convene Community Forum (may also request to hold conference call prior to Community Forum).

→

ICANN org schedules conference call (if requested) and Community Forum.

ICANN org, SOs/ACs (including Decisional Participants) submit written views/questions to EC Admin with copy to ICANN Secretary.

→

EC Admin moderates conference call (if scheduled) and Community Forum. ICANN org staff and Board Directors attend to answer questions.

→

Decision Period – 21 days

Decisional Participants decide whether to (i) support petition; (ii) reject petition; (iii) abstain, and notify EC Admin with copy to ICANN Secretary.

EC Admin Notice – 24 hours

EC Admin tallies decisions from Decisional Participants. If 4 support and no more than 1 reject, send ICANN Secretary EC Approval Notice. If approval threshold not met, send ICANN Secretary Approval Process Termination Notice.

Appendix – Draft 5-Year Operating Plan Update and FY18 Operating Plan and Budget

ICANN Ops Draft FY18 Financial Overview

in Millions, USD	FY18 Draft Budget			FY17 Forecast [1]			Increase/(Decrease) vs. FY17 Forecast			
	ICANN Ops	IANA	Total ICANN Ops	ICANN Ops	IANA	Total ICANN Ops	ICANN Ops	IANA	Total ICANN Ops	%
Funding	$142.8	$0.0	$142.8	$135.9	$0.0	$135.9	$6.9	$0.0	$6.9	5.1%
Personnel	63.8	$5.8	69.5	$55.2	$5.2	$60.4	8.6	$0.5	9.1	15%
Travel & Meetings	17.0	0.6	17.6	17.6	$0.4	18.0	(0.6)	0.2	(0.4)	-2%
Professional Svcs.	26.1	1.5	27.6	25.9	1.3	27.2	0.1	0.2	0.4	1%
Adminstration [2]	17.1	1.6	18.7	15.3	1.7	17.0	1.8	(0.1)	1.7	10%
Capital	3.5	0.1	3.6	7.6	0.1	7.7	(4.1)	(0.0)	(4.1)	-53%
Contingency [3]	5.3	0.5	5.8	0.0	0.0	0.0	5.3	0.5	5.8	n/a
Baseline Cash Expenses	$132.8	$10.0	$142.8	$121.6	$8.7	$130.4	$11.2	$1.3	$12.5	10%
Increase/ (Decrease) to Net Assets	$10.0	($10.0)	$0.0	$14.3	($8.7)	$5.5	($4.2)	($1.3)	($5.5)	-100%
Average Headcount	391.2	22.6	413.8	336.9	21.3	358.2	54.3	1.3	55.6	16%

(1) FY17 Forecast excludes IANA Stewardship Transition travel and meetings, professional services, admin, and capital costs.

(2) ICANN Ops excludes Depreciation and Bad Debt of ~$8M.

(3) FY17 activities covered by the contingency have been reported in the expense categories above based on the nature of the expense.

Draft FY18 Revenue Assumptions

	FY18 Budget	FY17 Forecast	% Inc/(Dec)
# of Transactions (in M)	205.3	192.0	6.9%
Legacy gTLDs	163.6	159.9	2.3%
New gTLDs – Total	41.7	32.1	29.9%
New gTLDs - Billable	35.4	27.0	31.1%
# of Contracted Parties (as of end of year)	3,503	4,249	-24.9%
Legacy gTLDs	22	22	0.0%
New gTLDs (delegated)	1,240	1,238	0.1%
Registrars	2,241	2,989	-25.0%

Unfunded Potential FY18 Activities

- Include activities/expenses considered during budget development, but not included in the Draft FY18 OP&B.
- Activities to be considered during FY18, based on priority and availability on funding.
- List of activities is evolving and may change as additional information becomes available.

	Name	FY18	Total Expenses	Annual recurring	Estimated Start Date	Estimated End Date
Operations	Internal Controls Audit function	$0.4	n/a	$0.5	n/a	n/a
Comms/LS	Comms/Language Services	$0.2	$0.2		Jul-17	Jun-18
MSSI	Reviews support	$0.2	$0.2		Jul-17	Jun-18
GSE	SSR capacity building and additional headcount	$0.4	$0.4	$0.3	Jul-17	Jun-18
Meetings	Additional Meetings headcount	$0.2	n/a	$0.2	n/a	n/a
Legal	Additional Legal resources	$0.3	n/a	$0.3	n/a	n/a
Legal	Additional defense resources	$1.0	$1.0		Jul-17	Jun-18
Finance	Additional business analysis	$0.2	n/a	$0.2	n/a	n/a
Contractual Compliance	Additional professional services	$0.1	$0.1		Jul-17	Jun-18
Comms/LS	Comms	$0.4	$0.4	$0.4	Jul-17	ongoing
Comms/LS	Comms	$0.2	$0.2	$0.2	Jul-17	ongoing
Policy Development Support	Document Production Pilot Support	$0.1	$0.1		Jul-17	Dec-17
Community Travel Support	Community Regional Outreach program	$0.1	$0.2		Jul-17	Jun-18
Policy Development Support	Additional professional services	$0.1	$0.1			
Government Engagement	Additional professional services (engagement - capacity building)	$0.3	$0.3		Jul-17	Jun-18
	Sub-total	$3.9	$3.0	$2.0		